

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7888

BILL NUMBER: SB 622

NOTE PREPARED: Jan 18, 2005

BILL AMENDED:

SUBJECT: CAGIT Distributions.

FIRST AUTHOR: Sen. Lawson C

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: The bill distributes County Adjusted Gross Income Tax (CAGIT) revenue to civil taxing units and school corporations according to formulas modified to remove from the calculations lease and debt service payments associated with leases or debt obligations entered into after June 30, 2005. The bill makes related changes.

Effective Date: January 1, 2006.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* The provisions of the bill would not impact the determination of CAGIT certified distributions to counties by the Department of State Revenue and the State Budget Agency. However, the allocation of CAGIT certified shares and local Property Tax Replacement Credits (LPTRC) amounts to civil taxing units and school corporations would change.

Under current law, the ratio of a civil taxing unit's levy to the levies of the all civil units in a CAGIT county is used to determine the CAGIT shares that the unit receives in a given calendar year. The bill would require that new debt issued by the unit after June 30, 2005 would be removed from the unit levies with respect to the calculation of the levy ratio.

This bill would have little impact, initially. As civil taxing units issue new debt or enter into new leases (after June 30, 2005), the levy to service that debt would no longer have any bearing on the proportion of CAGIT proceeds that each civil taxing unit in the county would receive.

However, as old debt is retired and leases terminate, the proportion of CAGIT shares could diminish for a high debt unit and the shares could increase for a low debt unit . The amount by which the CAGIT proportion changes, under the bill, would be directly related to the amount of old debt retired by each civil taxing unit in relation to the amount of all debt retired by all civil taxing units in the county.

Both civil taxing units and schools receive LPTRC. Distributions of LPTRC are made in the same manner as certified shares. Levies for new debt would also be removed from the distribution base for LPTRC. While the amount of LPTRC distributed to each unit would change under this bill, the loss or gain of LPTRC would not affect a unit's overall revenue. A loss of LPTRC would increase a unit's gross levy while a gain of LPTRC would reduce the levy.

Background: Currently, there are 56 counties that have adopted CAGIT. Total CY 2005 certified distributions were \$338.9 M. Under current law, with few exceptions, CAGIT may be imposed at a maximum rate of 1.00%, not to exceed a maximum combined CAGIT/CEDIT rate of 1.25%.

The following table illustrates the current certified distribution allocation for CAGIT:

CAGIT RATE	% of Proceeds Used For	
	LPTRC	CERTIFIED SHARES
0.5%	50%	50%
0.75%	33.3%	66.7%
1.00%	25%	75%

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: CAGIT counties, civil taxing units, and local schools.

Information Sources: *Indiana Handbook Of Taxes, Revenues, And Appropriations.*

Fiscal Analyst: Chris Baker, 317-232-9851.